

Message Text

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ACTION AF-10

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O P 291627Z AUG 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 9515
INFO AMEMBASSY PRETORIA PRIORITY
AMEMBASSY LUSAKA PRIORITY
AMEMBASSY PARIS PRIORITY
USMISSION USUN NEW YORK PRIORITY
AMEMBASSY DAR ES SALAAM
AMEMBASSY MAPUTO
AMEMBASSY GABORONE
AMEMBASSY THE HAGUE
AMEMBASSY LISBON

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E.O. 11652: N/A
TAGS: PDEV, UK, RH, UN
S//BJECT: RHODESIA: REPORT ON SANCTIONS VIOLATIONS

SUMMARY: ACCORDING TO THE SUNDAY TIMES, A BRITISH
PETROLEUM DOCUMENT SUBMITTED TO THE BINGHAM COMMISSION
INDICATES SYSTEMATIC VIOLATION OF OIL SANCTIONS BY BP AND
SHELL. THE VIOLATIONS HAVE TAKEN THE FORM OF A) DIRECT
SUPPLIES BY SHELL MOZAMBIQUE, A UK REGISTERED COMPANY;
B) A "SWAP" ARRANGEMENT WITH THE FRENCH COMPANY TOTAL;
C) SALES VIA THE SOUTH AFRICA SUBSIDIARY TO THE FREIGHT
SERVICE COMPANY FOR ONWARD SHIPMENT TO RHODESIA. THE
STORY CLAIMS THAT THESE VIOLATIONS WERE WELL KNOWN IN
THE SENIOR RANKS OF BP. THE EXTENT OF GOVERNMENT
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KNOWLEDGE IS UNCLEAR, ALTHOUGH THERE ARE TWO DIRECTORS
APPOINTED BY HMG TO THE BP BOARD. END SUMMARY.

1. ON AUGUST 27 LONDON'S SUNDAY TIMES PRINTED A FULL-
PAGE REPORT ON VIOLATIONS OF OIL SANCTIONS AGAINST
RHODESIA BY BRITISH PETROLEUM AND SHELL. CO-AUTHORS,
ALONG WITH PETER KELLNER OF THE TIMES STAFF, ARE BERNARD

RIVERS AND MARTIN BAILEY WHO HAVE LONG BEEN INVOLVED IN AN INDEPENDENT INVESTIGATION OF THE OIL COMPANIES. THEIR REPORT IS BASED ON A 25,000-WORD BRIEF SUBMITTED BY BP'S LONDON OFFICE TO THOMAS BINGHAM WHOM DAVID OWEN APPOINTED MORE THAN A YEAR AGO TO LOOK INTO WIDESPREAD CHARGES OF SANCTIONS VIOLATIONS. BINGHAM GAVE HIS 600-PAGE REPORT TO OWEN LAST WEEK. THE BP DOCUMENT WAS SUBSEQUENTLY LEAKED TO THE SUNDAY TIMES.

2. THE NEWSPAPER STORY, WHICH WE ARE POUCHING TO ADDRESSEES, CONTAINS THE FOLLOWING HIGHLIGHTS:

A) BP AND SHELL HAVE DIRECTLY VIOLATED OR COLLUDED IN THE VIOLATION OF SANCTIONS FROM 1966-1976. IN THE FIRST INSTANCE, SHELL MOZAMBIQUE, WHICH IS UK REGISTERED AND HALF OWNED BY BP, ROUTED TANKER CARS DIRECTLY TO RHODESIA OR VIA SOUTH AFRICA FROM 1966-68. TO BETTER PROTECT SHELL'S LEGAL POSITION, THE TWO COMPANIES THEN WORKED OUT A "SWAP" ARRANGEMENT WITH A SUBSIDIARY OF THE FRENCH COMPANY TOTAL WHEREBY THE FRENCH FIRM MADE OIL DELIVERIES TO RHODESIA AND WAS THEN "REIMBURSED" BY MATCHING AMOUNTS OF OIL FROM THE TWO BRITISH COMPANIES. THE REPORT SAYS THAT THE FOREIGN OFFICE AND MINISTRY OF POWER WERE INFORMED OF THE OUTLINES OF THE SWAP ARRANGEMENT IN 1968; THE ASSOCIATION WITH TOTAL CONTINUED UNTIL 1973.

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B) THE BP REPORT STATES: QUOTE SO FAR AS CAN BE ASCERTAINED HMG MADE NO APPROACHES TO THE COMPANIES DURING THE PERIOD 1970 TO 1975, NOTWITHSTANDING IT WAS COMMON KNOWLEDGE THAT OIL WAS REACHING RHODESIA THROUGH MOZAMBIQUE AND SOUTH AFRICA. DURING THIS PERIOD BP TOOK THE VIEW, AND, IT IS THOUGHT PROPERLY, THAT THE FOREIGN AND COMMONWEALTH OFFICE REGARDED THE POSITION AS BEING SATISFACTORY FROM THE POINT OF VIEW OF HER MAJESTY'S

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GOVERNMENT. END QUOTE

C) A SENIOR PRETORIA-BASED EXECUTIVE IN BP CARRIED
OUT HIS OWN INVESTIGATION INTO OIL MARKETING FOR
RHODESIA AND COMPLETED HIS SURVEY IN 1974. THIS REPORT,
CALLED THE "ROUNCE MEMORANDUM", STATES THAT QUOTE BP AND
SHELL CONTINUE TO MARKET PRODUCTS IN RHODESIA AS A
CONSOLIDATED VENTURE. SUPPLIES (ARE MADE) THROUGH
FREIGHT SERVICES (A SOUTH AFRICAN COMPANY) WHO ACT AS
FORWARDING AGENTS, BUYING PRODUCTS FROM BP AND SHELL SA
AND RESELLING TO THE RHODESIA GOVERNMENT PROCUREMENT
AGENCY, GENTA. END QUOTE. NO ACTION WAS TAKEN BY BP
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LONDON AS A RESULT OF THE MEMORANDUM.

D) BP IS 51 PERCENT OWNED BY HMG WHICH APPOINTS TWO
GOVERNMENT DIRECTORS TO THE BOARD. SINCE 1973 ONE OF
THESE DIRECTORS HAS BEEN LORD GREENHILL, WHO SERVED AS
PERMANENT SECRETARY IN THE FOREIGN OFFICE FROM 1969-73.
AS THE SUNDAY TIMES POINTS OUT, QUOTE THREE THINGS COULD
HAVE HAPPENED: VITAL SANCTIONS-BUSTING INFORMATION WAS
KEPT FROM THE BOARD; THE GOVERNMENT DIRECTORS CONCEALED
IT FROM MINISTERS; OR MINISTERS WERE TOLD BUT DID
NOTHING. END QUOTE

E) IN 1976 SHELL RESPONDED TO THE PUBLICATION OF
QUOTE THE OIL CONSPIRACY END QUOTE BY ASSURING THE
FOREIGN OFFICE THAT IT WAS NOT INVOLVED.

F) THE SHELL AND BP DEFENSE SINCE 1966 HAS BEEN THAT
NEITHER COMPANY CONTROLS ITS SOUTH AFRICAN SUBSIDIARIES
AND THEREFORE HAS NO LEGAL WAY IN WHICH TO AFFECT THE
FLOW OF OIL TO RHODESIA. YET IN 1977, WHEN THE BINGHAM
COMMISSION WAS INAUGURATED, BP TOOK STEPS TO SECURE
GUARANTEES FROM ITS SOUTH AFRICAN SUBSIDIARY THAT DIRECT
OR INDIRECT SALES TO THE FREIGHT SERVICES COMPANY WOULD
BE STOPPED. WITHOUT THE GUARANTEES, BP THREATENED TO
HALT SUPPLIES, AND A LETTER FROM THE SUBSIDIARY,
ENDORSED BY THE SOUTH AFRICAN GOVERNMENT, WAS FORTH-
COMING. THE SUNDAY TIMES STATES THIS RECENT EXCHANGE
INDICATES SUPPLIES COULD HAVE BEEN SUSPENDED MUCH
EARLIER.

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